

Message Text

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ACTION SS-25

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C O N F I D E N T I A L CAIRO 01986

EXDIS

C O R R E C T E D C O P Y (TEXT--PARAS FOUR, FIVE)

FROM AMBASSADOR

DEPT PASS AID FOR WHEELER AA/NE

JERUSALEM FOR USDEL SECRETARY ATTENTION ATHERTON

E.O. 11652: GDS
TAGS: EAID, EG, US
SUBJECT: ADDITIONAL AID REQUEST BY GOE

REF: STATE 11835

1. APPRECIATE PROMPT COMMENTS ON REFERENCED SUBJECT.
I WILL TAKE EARLIEST OPPORTUNITY INFORM KAISSOUNI THAT
GOE REQUEST UNDER URGENT CONSIDERATION AND WILL POINT
OUT REQUEST POSES SOME SERIOUS ISSUES THAT REQUIRE
ATTENTION. HAVE NO INDICATION AT THIS TIME THAT SADAT
PLANS TO RAISE THE MATTER WITH THE SECRETARY DURING
LATTER'S UPCOMING VISIT. I RATHER EXPECT SADAT WILL
WANT TO FOCUS EXCLUSIVELY ON STATUS PEACE TALKS.
RE PARA 3 REFTEL, I DO NOT THINK THAT QUESTION RAISED
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IS AN EITHER/OR AFFAIR. BOTH THE "OPPORTUNITY" AND THE
NEED ARE RELATED FACTORS. ON THE "OPPORTUNITY," I
MIGHT MENTION THAT IT IS NOT ONLY SENATOR STONE WHO HAS
MADE THE POINT THAT PRESENT CONGRESSIONAL MOOD WOULD
BE RECEPTIVE TO ADDITIONAL ECONOMIC ASSISTANCE REQUEST
FOR EGYPT. SEVERAL OF THE CODELS WHICH WE RECENTLY HAD
HERE MADE THE SAME POINT.

2. CLEARLY, ANY ADDITIONAL USG ECONOMIC AID TO EGYPT, IF OF A TYPE WHICH PERMITS RAPID UTILIZATION, WOULD BE OF POLITICAL HELP TO SADAT IN DEALING WITH HIS DOMESTIC CONSTITUENTS. AT SAME TIME, GIVEN EGYPT'S REOGNIZED NEEDS THE ECONOMIC FACTOR IS ALSO IMPORTANT. THE FACT THAT SADAT HAS NOT MENTIONED THIS TO ME AS YET SHOULD NOT BE TAKEN AS DISINTEREST SINCE OUR UNDERSTANDING IS KAISSOUNI FIRST SOUGHT AND OBTAINED PRESIDENTIAL APPROVAL BEFORE RAISING MATTER WITH US. I WOULD RATHER NOT RAISE IT DIRECTLY WITH SADAT UNTIL SUCH TIME AS OUR POSITION IS A BIT CLEARER.

3. OUR INITIAL REACTION TO THE VARIOUS SUGGESTIONS MADE REFTEL IS THAT THEY ARE ALL WORTH CONSIDERING, THOUGH THEY ARE NOT LIKELY MEET GOE PERCEPTIONS OF WHAT IT NEEDS. LIKE YOU, WE ARE CONCERNED ABOUT ABSORPTIVE CAPACITY OF EGYPT TO HANDLE ANY SUBSTANTIAL ADDITIONAL ASSISTANCE. AN ADDITIONAL HALF MILLION TONS OF WHEAT COULD, WE BELIEVE, BE ABSORBED AND WE WOULD HOPE THAT THIS MIGHT BE POSSIBLE LATER IN THE PRESENT FISCAL YEAR. IN CIP, TOO, THERE IS SOME SCOPE FOR EXPANSION. GOE, AS YOU KNOW, HAS BEEN ARGUING FOR AN FY-78 CIP LEVEL OF AT LEAST \$350 MILLION, WHICH I AM ON RECORD AS ENDORSING AS REASONABLE. THERE HAS BEEN AN ACCELERATION OF CIP USAGE. IN CONNECTION WITH \$250 MILLION CIP LOAN NOW IN FINAL

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STAGES OF AUTHORIZATION, GOE HAS ALREADY PRESENTED REQUEST FOR FINANCING OF BETWEEN \$500 AND \$600 MILLION. SINCE WE HAVE REACHED THE LEVEL OF NEARLY \$470 MILLION IN LETTERS OF CREDIT ISSUED FOR YEAR ENDING LAST DECEMBER, THERE WOULD SEEM TO BE REASONABLE SCOPE FOR AN INCREASED CIP OBLIGATION LEVEL EVEN OVER AND ABOVE A \$350 MILLION FIGURE.

4. I DOUBT THAT GOE WOULD WANT ADDITIONAL CIP AT EXPENSE OF PROJECTS, WHICH IT ALSO VIEWS AS IMPORTANT TO PROSPECTS FOR LONGER TERM GROWTH. OUR FUTURE PROJECT FOCUS SHOULD BE IN AREAS WHICH HAVE BOTH POLITICAL AND ECONOMIC IMPACT. HOUSING IS A PRIME EXAMPLE. A MULTI-YEAR PROGRAM IN HOUSING, SUBJECT TO CONGRESSIONAL APPROPRIATIONS MIGHT ENCOURAGE GOE TO INITIATE SUCH PROGRAMS SOONER. WE WILL ALSO URGE GOE TO WORK WITH US TO PERMIT OBLIGATION OF FY-79 AND 80 FUNDS EARLY RATHER THAN LATE IN THE FISCAL YEAR AND WILL MAKE THE POINT THAT ACCELERATED IMPLEMENTATION CAN EFFECTIVELY BRING AID RESOURCES TO BEAR ON EGYPT'S DEVELOPMENT PROBLEMS SOONER, BUT WE SHOULD BE UNDER NO ILLUSION THAT, IF THE OPPORTUNITY IS THERE, EGYPT WILL NOT ALSO WISH TO INCREASE

APPROPRIATION LEVELS.

5. AID DIRECTOR BROWN NOW IN WASHINGTON AND SUBJECT MIGHT BE DISCUSSED WITH HIM. KAISOUNI'S CHIEF ECONOMIC ADVISER, FOUAD HUSSEIN, ALSO SCHEDULED TO VISIT WASHINGTON NEXT WEEK. THIS MIGHT BE GOOD OPPORTUNITY TENTATIVELY DISCUSS REACTIONS TO GOE IDEAS WITH HIM. IT MIGHT ALSO BE USEFUL TO POINT OUT TO AMBASSADOR GHORBAL, IF NOT ALREADY DONE, SOME OF OUR QUESTIONS RE EGYPT'S ABSORPTIVE CAPACITY. RATHER THAN BE NEGATIVE, HOWEVER, I WOULD HOPE THIS WOULD BE DONE IN CONTEXT THAT WE ARE NOT UNSYMPATHETIC IN PRINCIPLE, BUT DO SEE PROBLEMS RE EGYPT'S ABSORPTIVE CAPACITY AND HOW ADDITIONAL AID WOULD BE USED, WHICH WILL FIRST HAVE
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TO BE STUDIED AND SATISFACTORILY RESOLVED. EILTS

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